

ECONOMY AND DEMOGRAPHICS



OTTAWA FAST FACTS

- As Canada's capital city, Ottawa is a member of the G8 group of cities
- Fourth largest city in Canada by population
- Second largest city in Ontario by population
- At 2,796 sq. km, Ottawa is larger than the cities of Toronto, Montréal, Vancouver, Calgary and Edmonton combined
- More than \$40 billion GDP
- More than \$2.5 billion in venture capital investments since 2000
- One of the principal advanced technology centres in North America, with more than 70,000 high-tech jobs
- More than 25,000 employers
- More than 500,000 jobs

Gross domestic product is steadily increasing

Ottawa's robust economy centres on two major sectors – high technology and the federal government. Both sectors offer high-paying jobs for knowledge workers in a relatively stable environment and account for 37% of Ottawa's total gross domestic product (GDP). In 2004, the median family income in Ottawa-Gatineau was \$73,500 – the highest among Canada's six largest cities.

In 2001, the technology sector saw a downturn both in terms of employment and contribution to Ottawa's economy. Over the last year, however, advanced technology has shown signs of renewed growth. Overall, employment in Ottawa increased substantially in the first six months of 2006, and the local unemployment rate is at a low 4.8%, buoyed in part by a surge in non-residential construction.

The federal government has seen sustained growth since 2001. As a result, the Ottawa economy has continued to grow since then and employment has remained stable. However, government hiring has slowed since the election of a new federal government in 2006.

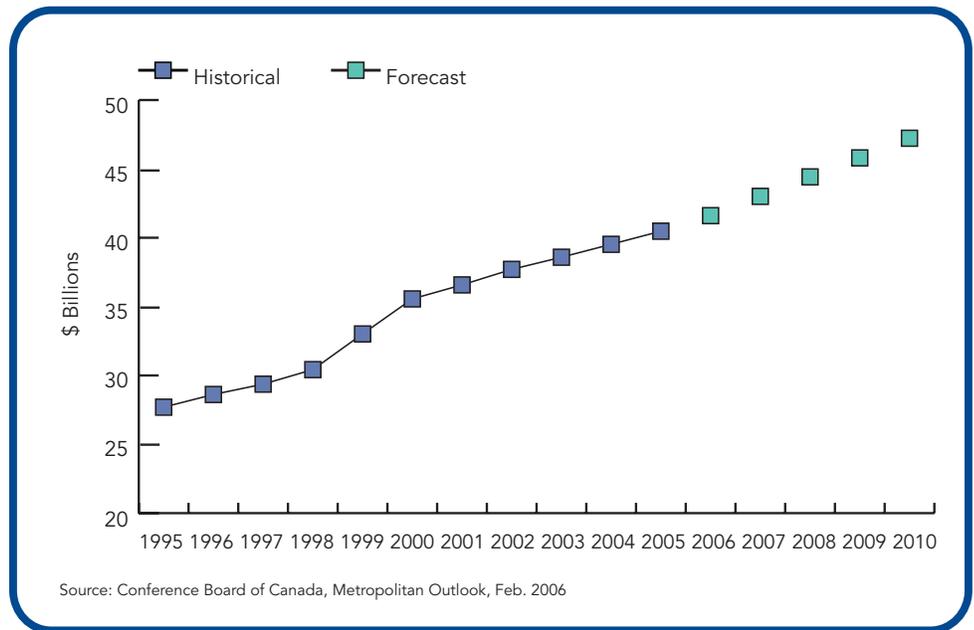
The City of Ottawa also benefits from a vital rural sector. In Ottawa, the rural economy contributes over \$1 billion to the GDP. Agriculture alone accounts for \$400 million, \$136.7 million of which is farm-gate sales. Rural economic activity includes such things as agriculture, retail sales, construction, forestry and mining (aggregates), tourism, manufacturing, personal and business services, and transportation, to name a few. Rural employment expanded by a healthy 18% from 1996 to 2001.

The Ottawa agricultural sector represents close to 300,000 acres of land farmed by more than 1,300 agricultural operations, employing approximately 10,000 people. Responsible, sustainable farming practices contribute to maintaining the value of Ottawa's countryside. Agriculture not only complements and affects the prosperity of other sectors such as rural tourism, but it also helps preserve the quality of rural Ottawa as a place to live and work.

Ottawa's GDP growth remained stable at 2.4% in 2005. The Conference Board of Canada's February 2006 forecast predicts that Ottawa's GDP growth will increase to 2.8% in 2006 and average 3.2% annual growth over the coming four years.

Over the 2007 to 2010 timeframe, the Conference Board forecasts that Ottawa's GDP growth will be the seventh highest among the 20 largest cities in Canada, a significant improvement from its 13th place ranking in 2005. The following graph shows Ottawa-Gatineau's GDP from 1995 to 2010.

GDP, Ottawa-Gatineau CMA



In its forecast, the Conference Board also examined the diversity of the city’s economic base. As previously stated, the technology and federal government sectors account for 37% of total Ottawa GDP (see table below). This level of concentration means Ottawa relies heavily on these two sectors as the main drivers of its economy. Ottawa does not experience the same level of economic fluctuations seen in other municipalities because the federal government sector has been remarkably stable over the years and government employment does not tend to vary with economic cycles.

It is important to note that the reliability of the Conference Board’s forecast hinges on growth in at least one of these two key sectors.

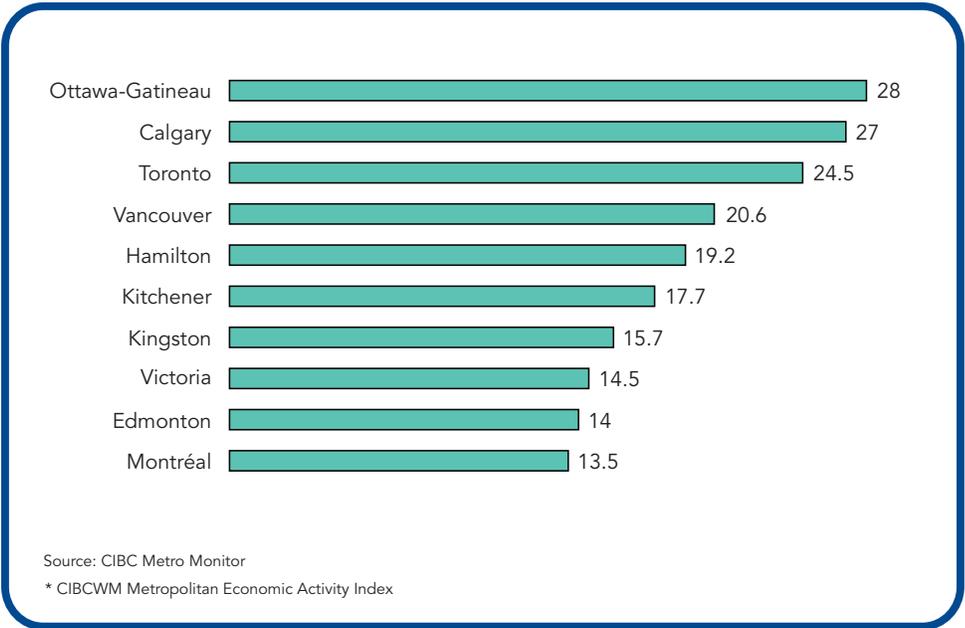
Ottawa GDP by sector	
Industry sector	% of total GDP
High tech	18.9%
Federal government	18.2%
Tourism	2.1%
Health and education	7.5%
Finance, insurance, real estate	10.4%
Trade	9.4%
Construction	4.0%
Primary (mainly rural output)	0.9%
Others	28.6%
Total	100.0%

Source: Conference Board of Canada, Metropolitan Outlook.

CIBC's *Metro Monitor* reports on the rate of change in the level of economic activity among Canada's largest metro areas. The June 2006 index, which covers the first quarter of 2006, showed that the Ottawa-Gatineau economy registered the highest reading among all metro areas. The *Metro Monitor* notes that this ranking reflects a relatively diverse performance with the city's labour market clearly outperforming the national average from both quantity and quality perspectives.

In the first quarter of 2006, the Ottawa-Gatineau economy performed consistently well above average in most of the important indicators such as government, building construction, employment, and lower rates of business and consumer bankruptcies. The *Metro Monitor* also noted that the surge in high-tech activity is probably playing an important role in the city's impressive showing. There is a slight drag, however, on overall economic performance due to a slowing of the housing market.

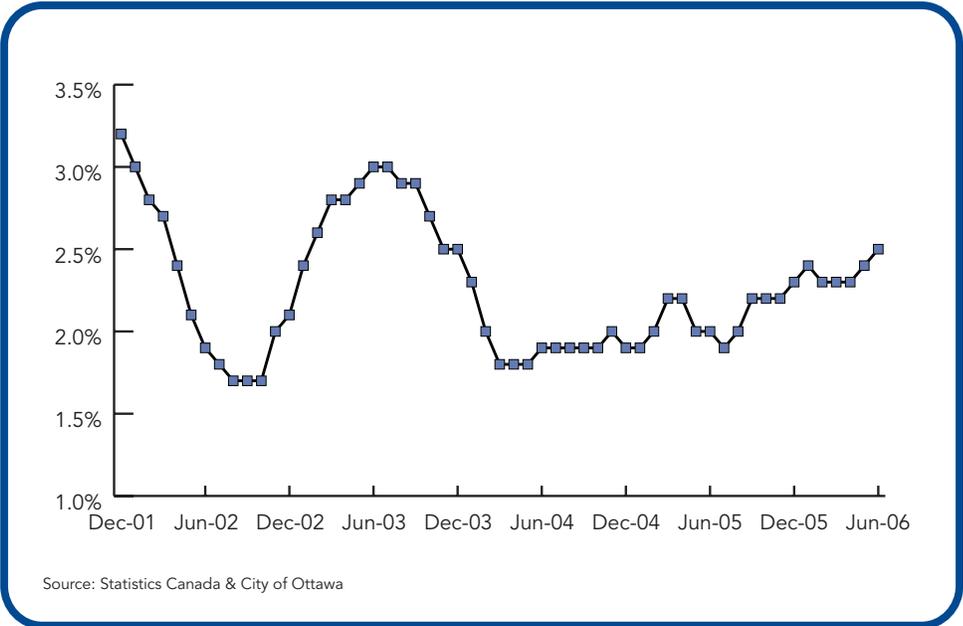
Top 10 metro economies* (2006Q1)
3Q moving average



Inflation rates are low

Annual inflation rates, as measured by the Consumer Price Index, averaged 2% from 2000 to 2004, exceeding 3% once in 2002. The CPI reflects the basket of goods consumed by a typical household. Low rates of inflation reflect the monetary policy the Bank of Canada favours to keep inflation within a range of 1% to 3%. Conference Board forecasts for Ottawa predict long-term inflation will average just over 2%. The following graph shows the inflation rate by month calculated as the average of the preceding 12-month period.

Ottawa annual inflation 12-month moving average

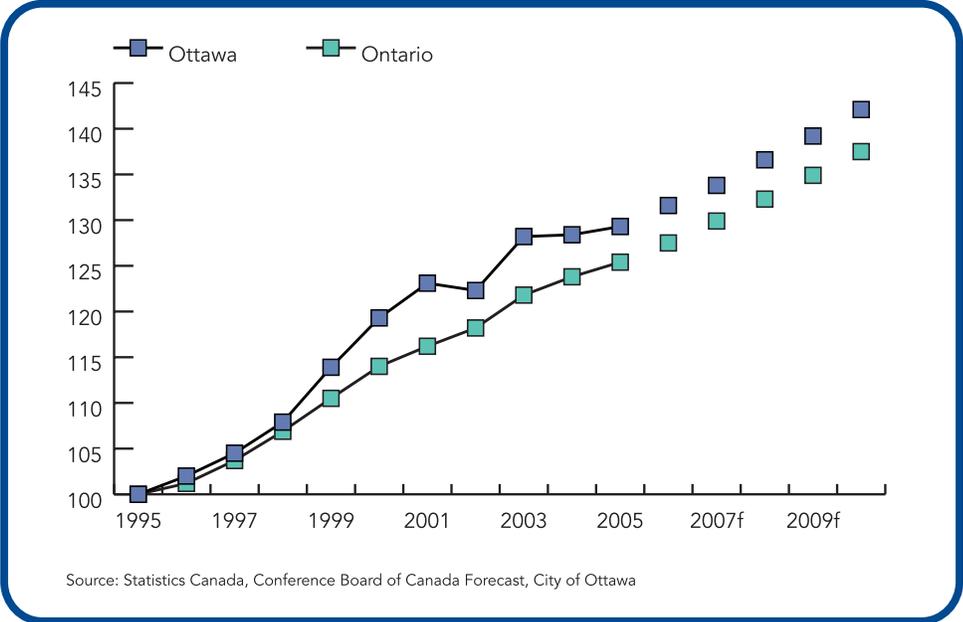


EMPLOYMENT

Ottawa experienced vigorous employment growth in the latter part of the 1990s and has posted employment growth comparable to the Ontario average since 2001. Employment levels in Ottawa, when measured as an index, have consistently outperformed the provincial average since 1999.

Employment index, Ottawa and Ontario, 1995-2010

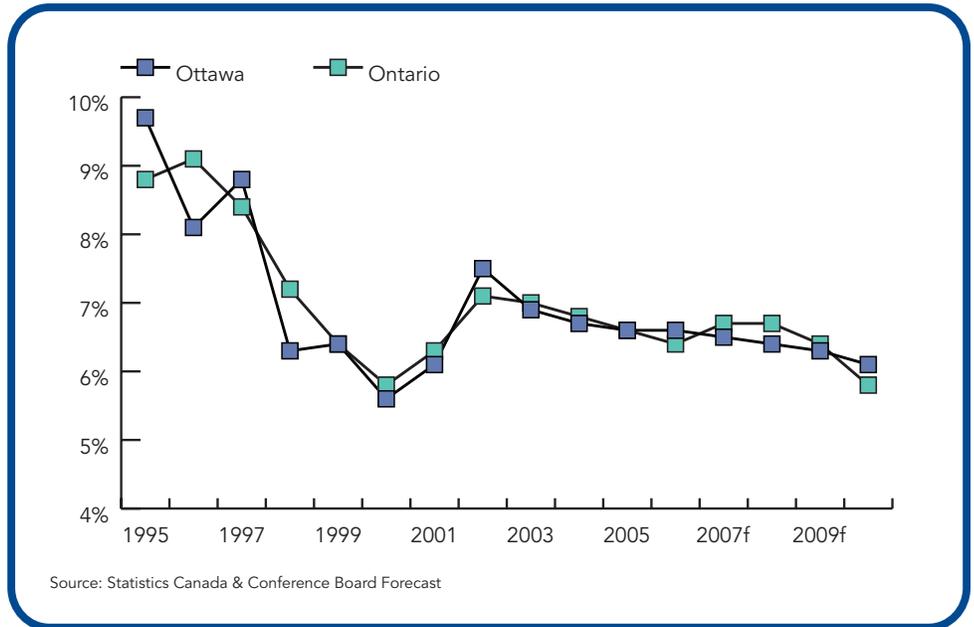
Employment is growing



Unemployment rate is stable

Since the turn of the century, Ottawa's unemployment rate has been relatively similar to Ontario's. In fact, Ottawa's unemployment rate rarely surpassed the provincial average. Moreover, in the early 1990s, Ottawa had a significantly lower unemployment rate than the rest of Ontario. In 2002, however, the slow-down in the technology sector led to Ottawa experiencing a higher unemployment rate (7.5%) than the provincial average of 7.1%.

Unemployment rate, Ottawa and Ontario, 1995-2010



REAL ESTATE

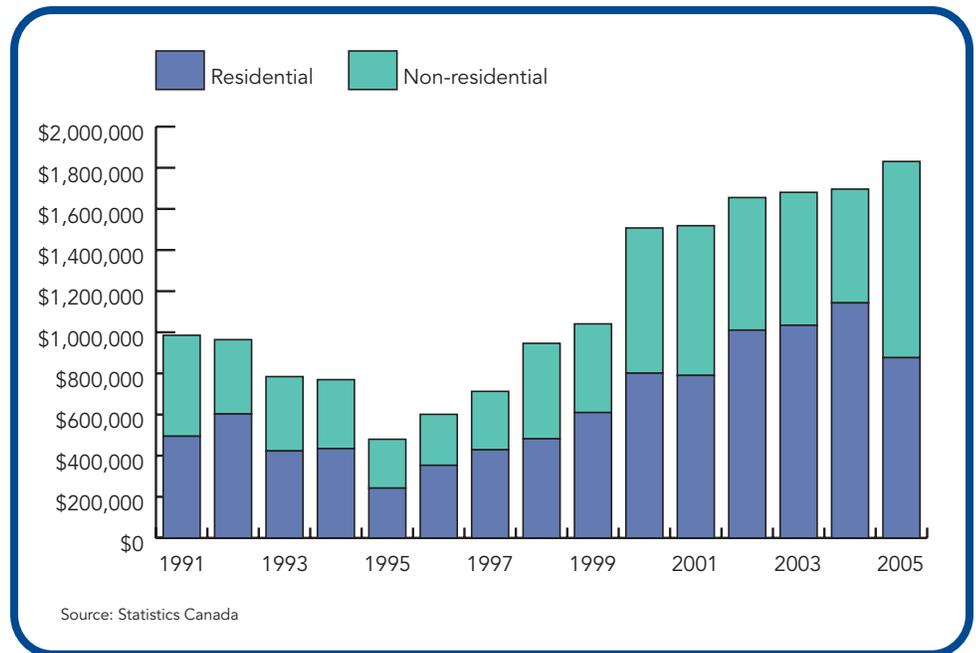
One of the measures of a city's economic success is the dollar value for building permits issued – it indicates how much growth is occurring in the city. Building permit value in Ottawa reached an all-time record of \$1.83 billion in 2005, 7.9% higher than in 2004. At the national level, Ottawa-Gatineau ranks sixth among the major Canadian cities in terms of dollar value for building permits.

Building permit value is increasing

In 2005, the total building permit value for the Ottawa-Gatineau census metropolitan area (CMA) was \$2.24 billion, a slight decrease of 1% compared with the previous year. This was mainly due to less industrial and institutional development in Gatineau, which translated to lower metropolitan growth averages. To date, 2006 building permit values for the Ottawa-Gatineau CMA are slightly ahead of last year.

The graph below shows the building permit values for the City of Ottawa from 1991 to 2005.

Building permits, Ottawa, 1991-2005

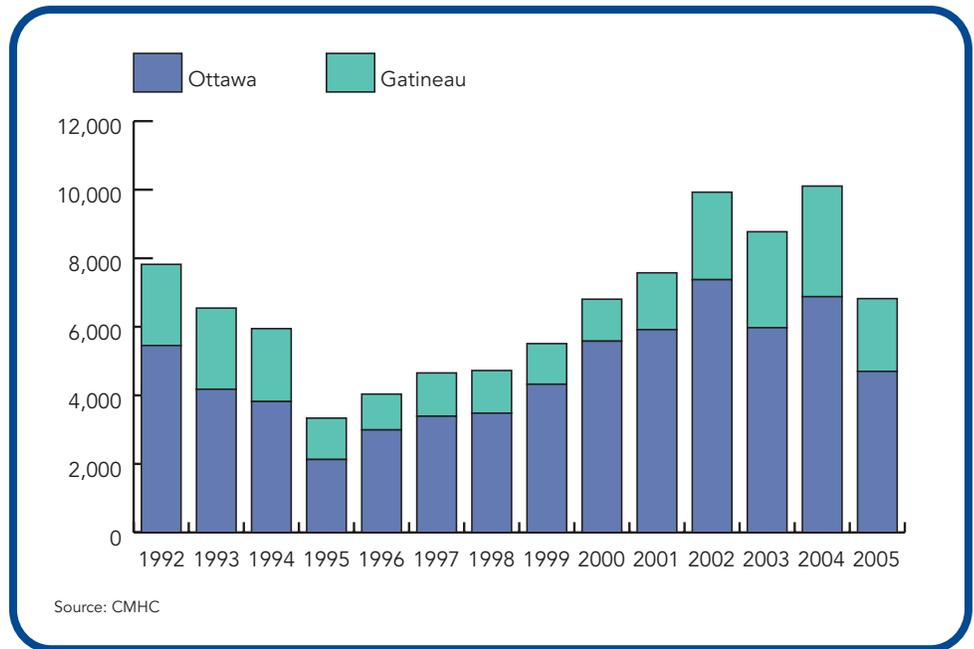


Non-residential construction in Ottawa was responsible for the surge in activity in 2005. In fact, institutional and government construction projects more than tripled, fuelled by projects such as the Canadian War Museum, the new wing of the Royal Ottawa Hospital, major expansions at hospitals and universities, and ongoing renovation at several government buildings. Industrial construction increased by 110% over 2004, while commercial construction dipped by 8.3% and residential activity declined by 23.3%.

Housing starts and rental vacancy rates are declining

Low interest rates, a traditionally tight rental market, strong employment gains and steady population growth have fuelled Ottawa's real estate market over the past several years. Housing starts in Ottawa reached a cyclical peak in 2004, slowed down in 2005, but are 6% ahead of last year's levels as of the end of June.

Ottawa-Gatineau housing starts, 1992-2005



In 2004, Ottawa residential Multi-Listing Sales (MLS) reached a record high of 13,457 homes sold. In 2005, MLS sales dropped by 1.2% to 13,300 homes sold. However, combined Ottawa-Gatineau metropolitan MLS sales totalled 18,033 in 2005, making this the sixth most active MLS market in Canada. In 2005, the average price of a resale house in Ottawa was \$248,358, up just over 4% from 2004.

After four consecutive annual increases, Ottawa's rental vacancy rate decreased to 3.3% in 2005, from a cyclical high of 3.9% in 2004. The decline is attributed to rising home-ownership costs, low rental construction, lower rents in many of the survey zones and, to a lesser degree, strong levels of youth employment leading to quicker departures from parental homes.

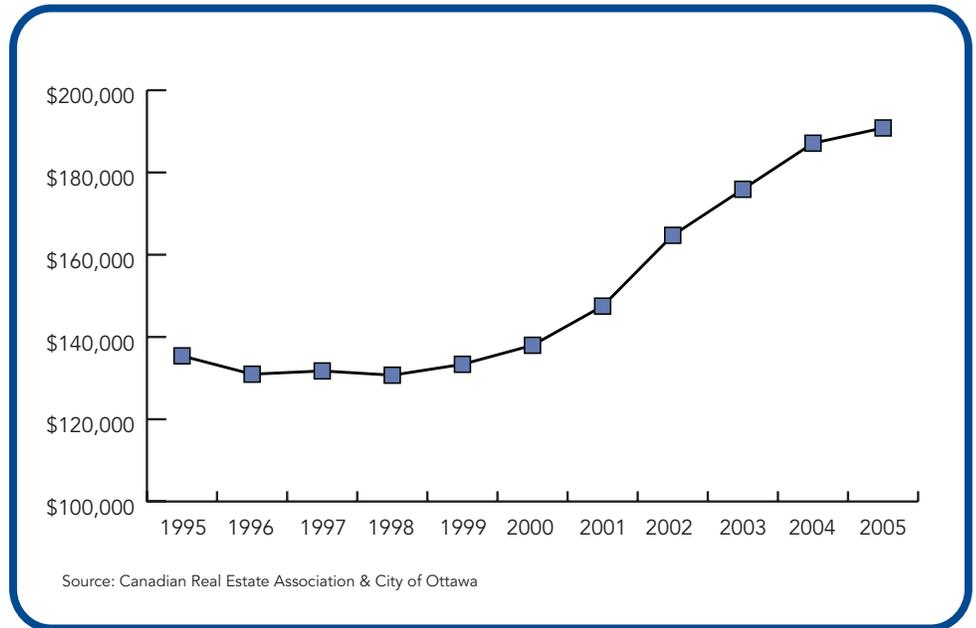
Home ownership has become slightly more affordable since 2005. In 2005, including both new and resale units, there were 4,428 affordable homes on the market (27.5% of the overall supply of housing). This is a small improvement over 2004 when 26.8% of homes were affordable.

However, as the following graph demonstrates, ownership prices have gone up in recent years, both for resale housing and new homes. In 2005, 5,466 houses were built in the City of Ottawa. Of these, 13.4% were affordable to households earning up to \$56,800 a year, the 40th income percentile. Generally, affordability improved slightly in 2005 mainly because many new town homes were built.

In the residential resale market, 34.7% of homes sold were priced below \$208,000 and were affordable to households at the 40th income percentile.

Housing affordability is improving

Ottawa house prices adjusted for inflation



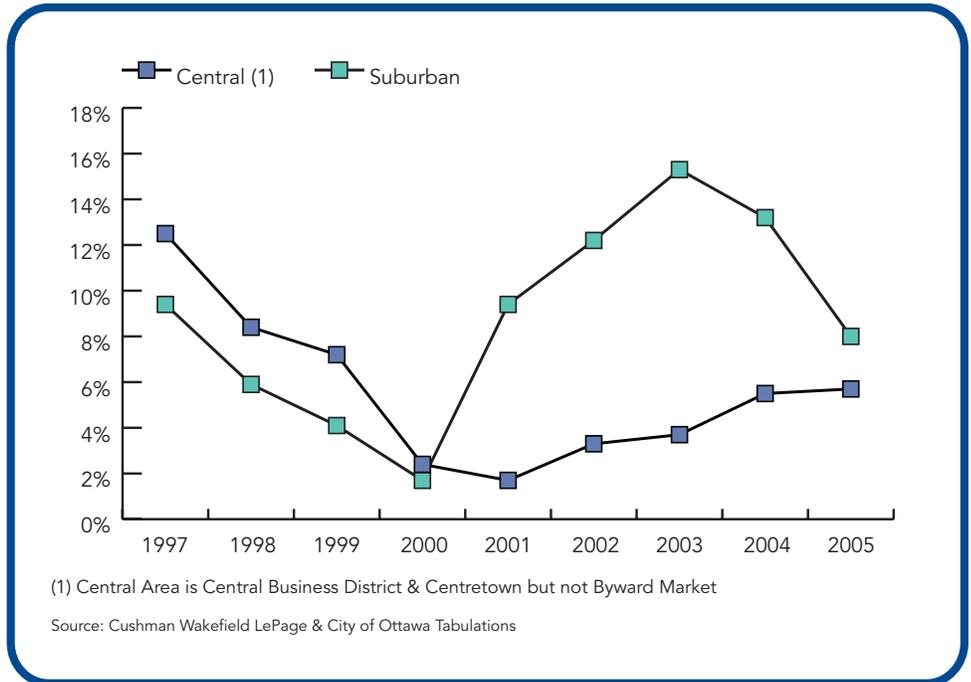
Relatively low mortgage interest rates have meant that many householders could afford to own their own homes. The slight surge in the condominium market in recent years has also created more affordable ownership options. However, in 2005, the principal and interest charged on Ottawa's average condominium exceeded two-bedroom apartment rents, suggesting that condominiums are becoming a less affordable option to Ottawa residents. The average rent for a two-bedroom unit was \$920 in 2005.

Housing affordability for tenants remains a problem in the city, where 35% of renters spend more than 30% of their income on housing. The affordable monthly rent for households up to the 30th income percentile in 2005 was \$1,108. Fortunately, the picture is improving. Overall, average rents decreased for all types of apartments, except bachelors, in 2005. That same year, the number of renter households with affordability problems decreased a modest 12% from 1996 when 50,000 households paid more than 30% of their income for shelter.

Office vacancy rates are stabilizing

As the following graph demonstrates, Ottawa's market for office space in the central part of the city remained strong due to continued demand, primarily by the federal government. The suburban office rental market has declined since it peaked in 2000. The recent improvement in the technology sector has led to increasing demand for office space and a decline in suburban vacancy rates. By the end of 2005, overall vacancy rates declined 36% as more office space was used in the suburban market.

Ottawa office space vacancy rates City central vs. suburban area



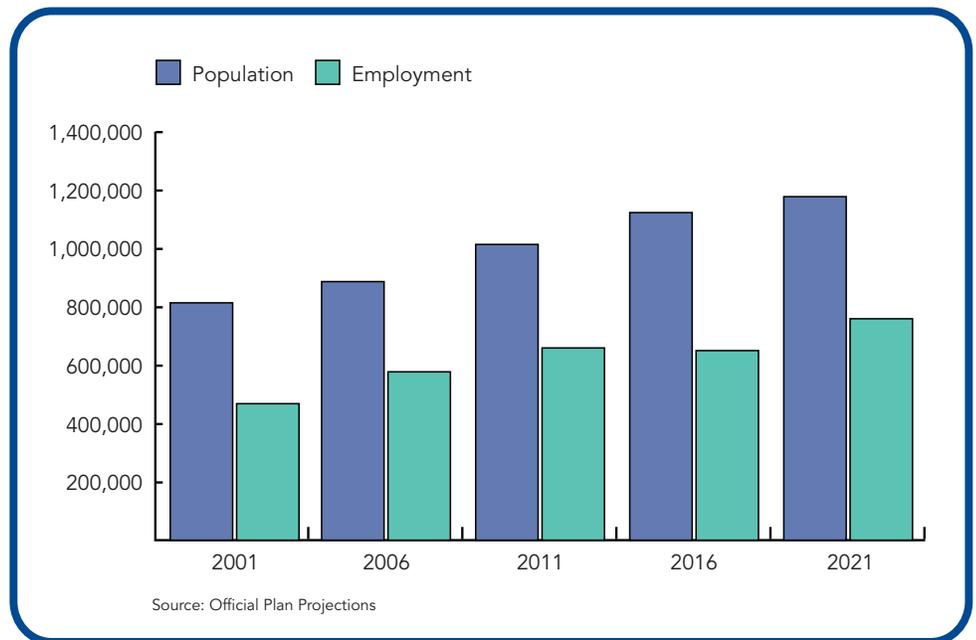
POPULATION

Ottawa boasts a population of 870,250, which represents an increase of 7.9% since 2001. This growth rate is faster than Ontario's rate (6.2%) and Canada's rate as a whole (4.8%). Ottawa accounts for approximately two-thirds of the population of the greater Ottawa-Gatineau area, which has a combined total population of 1,282,500.

The population is growing

The population growth is expected to continue. The City's 2003 Official Plan predicted growth of 37% over the next 15 years. Recent growth trends have been somewhat slower than originally predicted, and this estimate may be revised in 2007. Even with the revision, it is clear that actual growth rates remain above average. Immigration is a major reason Ottawa's population continues to grow faster than that of Ontario or Canada.

Projected population and employment growth, Ottawa, 2001-2021



The population is aging

While Ottawa residents are slightly younger than the provincial average (11.5% aged 65 and over in Ottawa versus 12.9% aged 65 and over for the province), a significant demographic shift is occurring in Ottawa as the population ages, which is also part of a national demographic change.

The proportion of children in Ottawa has been dropping since the 1960s. Children below the age of 19 made up 40% of the city's population in 1966. Today, that age group represents approximately 25% of the population. Their share will drop even more to approximately 20% of the total population in 2021. In fact, every age group below age 55 will see a decline in its share of the overall population by 2021.

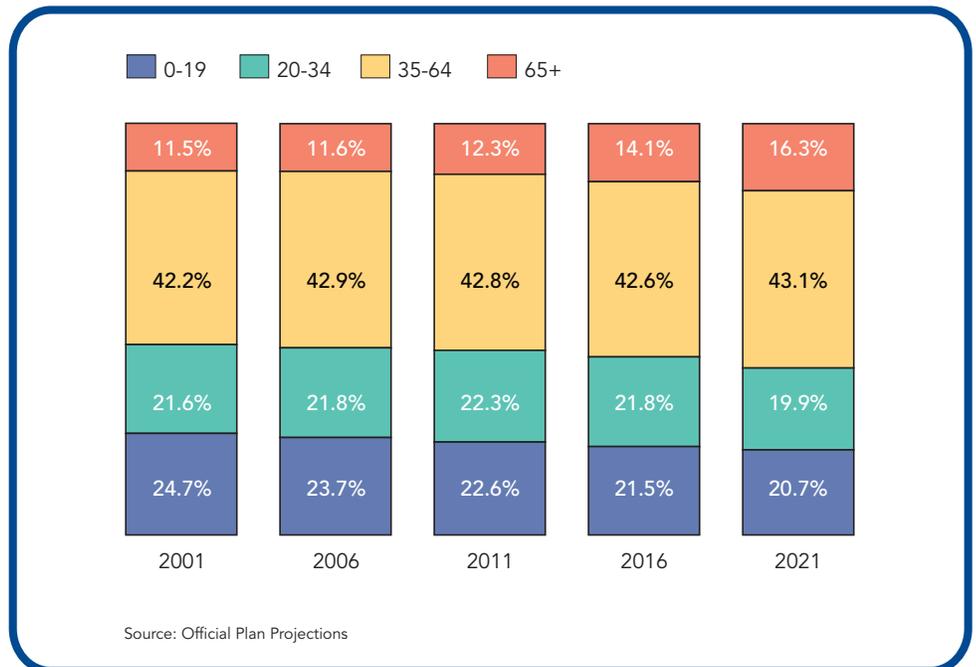
While the proportion of young adults (aged 20-34) was as high as 29% in the mid-1980s, it is now approximately 22%. This age group will increase its share of Ottawa's population between 2001 and 2016, reflecting the passage into adulthood of baby-boomers' children (baby-boom echo). By 2021, young adults will account for less than 20% of city residents.

Mature adults (aged 35-64) made up approximately 32% of the population in the mid-1960s. They now account for 41%, and their share will rise to 43% by 2021.

Seniors (aged 65 and over) represented approximately 7% of Ottawa’s population in the 1960s. Their share has steadily risen to reach 11.5% as of the 2001 Census, and is predicted to represent just over 16% of Ottawa’s population in 2021.

Changes in demographics influence the mix of City services provided to Ottawa residents.

Projected population by age group, Ottawa, 2001-2021



Ottawa is becoming a significant point of entry into Canada for immigrants from around the world. Statistics Canada data show that immigrants to Canada tend to settle mainly in big cities. Immigrants who settle in Ottawa are attracted by high-paying professional jobs or post-secondary studies. They are typically more educated, earn higher wages, and have higher levels of employment than immigrants who settle in other cities. Ottawa also receives the highest percentage of refugees and family-related immigration of any major Canadian centre.

Immigration is growing

Between 1996 and 2001, Ottawa welcomed almost 25,000 immigrants from around the world. Recent immigrants – those who settled here in the past 10 years – make up 6.8% of the population, up from 4.2% in 1981. There are 70,500 recent immigrants now living here, representing the fourth highest concentration in the country.

IMMIGRATION TRENDS 1996-2001

- Ottawa has Canada’s third-largest **West Indian** community, and the second-fastest growing after Toronto. As of 2001, there were 11,000 people of West Indian origin living here.
- We have Canada’s fourth-largest **African** community, and the second-fastest growing after Calgary. As of 2001, there were 19,000 people of African origin living here.
- Our **Chinese** community is the smallest of Canada’s five largest centres (17,500 people), but it was the country’s fastest-growing (65%) between 1996 and 2001.
- Our **Middle Eastern** community is Canada’s fourth-largest, with 22,000 people.
- Our **European** community is the smallest of Canada’s five largest cities, but it grew by 2% between 1996 and 2001. Calgary had the only other growing European community among the top five cities. In Toronto, Montréal and Vancouver, the European-born population shrank over the same five years.

Overall, 185,000 people born outside Canada reside in Ottawa. They make up almost 18% of our metropolitan population. While Toronto and Vancouver receive the most immigrants among the nation’s big cities, Ottawa’s immigrant population had the third highest growth rate (14.7%) between 1996 and 2001, tied with Toronto and trailing Vancouver (16.5%) and Calgary (15.5%).

Total Ottawa-Gatineau immigrants, by place of birth, 2001

